

Message Text

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ACTION EA-10

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AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

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USDOC

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E.O. 11652: N/A

TAGS: ECEM, ETRD, KS

SUBJ: MAJOR PROJECT: YEO-SU PETROCHEMICAL COMPLEX

REF: SEOUL 7976

1. SUBJECT PROJECT HAS BEEN DELAYED DUE TO NEED TO LOCATE FINANCING (REFTEL) FOR THREE HUNDRED FIFTY THOUSAND TON CAPACITY NAPHTHA CRACKING FACILITY WHICH WILL BE HEART OF PROJECT.

2. OFFICIAL OF YEO-SU PETROCHEMICAL CORP (YPC), ESTABLISHED BY ROKG TO PROMOTE PROJECT, INFORMED EMBOFF THAT YPC HAD DECIDED ON LIONS PROCESS FOR NAPHTHA CRACKER. PLAN FOR FINANCING WAS TO SEND INVITATIONS TO ALL MAJOR WORLD ENGINEERING FIRMS WHICH WERE LICENSED TO DESIGN FOR LIONS PROCESS, SPECIFYING THAT FIRM WHICH COULD ARRANGE BEST FINANCING OF ONE HUNDRED FIFTY MILLION DOLLARS NEEDED BY ROKG TO CONSTRUCT PLANT, WOULD GET DETAILED ENGINEERING CONTRACT. DEADLINE FOR PROPOSALS WAS END OF NOVEMBER 1974 AND ONLY ONE FIRM, JAPANESE TOYO ENGINEERING, MADE BID. JAPANESE UNCLASSIFIED

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FINANCING OFFER IS REPORTEDLY BACKED BY JAPNESE

EXIM BANK WITH TERMS OF SEVEN PERCENT INTEREST OVER EIGHT YEARS WITH TWO YEAR GRACE PERIOD. HOW MUCH OF TOTAL ONE HUNDRED FIFTY MILLION DOLLAR LAON WOULD COME DIRECTLY FROM JAPNESE EXIM WAS NOT SPECIFIED.

3. LUMMUS COMPANY (U.S.) IS NOW DOING BASIC ENGINEERING SURVEY, WHICH WILL BE COMPLETED IN APRIL 1975. YPC OFFICIALS REPORT THEY ARE HOLDING DOOR OPEN FOR LUMMUS FINANCING \$ ENGINEERING OFFER TO BE MADE IN MID-JANUARY, 1975. LUMMUS REPORTELY IS TRYING TO LINE UP ONE HUNDRED MILLION DOLLARS COMMERCIAL FINANCING BEFORE GOING TO U.S. EXIM BANK FOR FIFTY MILLION LOAN TO COMPLETE PACKAGE.

4. POST COMMENT: SUBJECT PROJECT IS OBVIOUSLY NOT OPEN TO U.S. FIRM UNLESS EXIM FINANCING IS AVAILABLE. ROKG ORIGINALLY PLANNED EXPANSION OF NAPTHA CRACKING FACILITIES TO INCLUDE CONSTRUCTION OF TWO NEW CRACKERS AND EXPANSION OF EXISTING CRACKER (AT ULSAN) TO BEGIN IN 1975. PRESENT ECONOMIC CLIMATE MAKES IT PROBABLE ONLY YEO-SU CRACKER WILL BE BUILT SOON AND THUS THIS PROJECT IS EVEN MOJE IMPORTANT TO ROKG TO GET LAGGING YEO-SU PROJECT ON THE MOVE. TO POSTS KNOWLEDGE THERE ARE NO KOREAN PROJECTS ON EXIM APPLICATION LIST AND YEO-SU WOULD SEEM TO BE PRIME CANDIATE FOR FUTURE EXIM CONSIDERATION.
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